June 2000

MOSTARS

...providing postsecondary assistance to Missouri families

Missouri Student Assistance Resource Services

(800) 473-6757

Call the MOSTARS Information Center to speak with trained staff members about any story in this newsletter as well as to obtain free information about state and federal student financial assistance programs.

(573) 751-3940

MOSTARS is a division of the Missouri Department of Higher Education.

College Graduates Less Likely to Default on Student Loans

Students who complete their degrees or remain continuously enrolled in higher education are less likely to default on their student loans, according to Missouri Department of Higher Education research that was presented at MOSTARS' third annual Default Prevention and Debt Management Conference held April 26-27 (see related article on page 4). The ongoing research will be used to create a profile of the typical defaulted borrower, including characteristics such as the type of school the student attends and the student's program of study.

The study examined all 202,140 students who were enrolled in Missouri public four-year and two-year colleges and universities in the fall of 1992. Of this total, 64,431 students borrowed a total of 231,287 student loans through the Missouri Student Loan Program.

Of those student loan borrowers who completed their degrees or remained continuously enrolled for eight semesters, 4.24 percent defaulted on their loans. Of those borrowers who dropped out, did not complete degrees or did not remain continuously enrolled, 16.99 percent defaulted on their loans.

The researchers also identified the number of borrowers out of the original cohort of borrowers in the fall of 1992 who defaulted. Of those defaulted borrowers, more than 80 percent did not complete their education. Less than 5 percent of defaulted borrowers obtained associate degrees, while approximately 11 percent earned baccalaureate degrees.

The study is part of an ongoing research agenda for the Missouri Department of Higher Education, as a follow-up to the recommendations of the Missouri Commission on the Affordability of Higher Education and part of the state's effort to reduce student loan defaults. The department of economics at the University of Missouri-Columbia is conducting the research.

While more information regarding the defaulted borrower profile will be released at a later date, postsecondary institutions can begin to lower their default rates by increasing student retention programs and activities. By helping student borrowers remain in school and realize their higher education goals, institutions will decrease the likelihood that the borrowers will default. ★

MOSTARS News

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In this issue

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This portion of the MOSTARS newsletter includes questions and answers regarding various topics brought to our attention by MOSTARS clients.

If you happen to see one of your questions published, give yourself a pat on the back for asking a question that may benefit other clients.

In addition, if you think there is a need for a published clarification on a particular topic, contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940 to discuss the topic. We may include the question in a future issue of MOSTARS. ★

If a recipient of the Advantage Missouri Program changes his or her designated program of study/CIP code to a different designated program of study/CIP code while remaining at the same institution, will that student remain eligible for the Advantage Missouri Program?

Yes. Example: A student is enrolled in a designated civil engineering program with a CIP code of 140801, and an Advantage Missouri Program application is submitted and approved. The student decides to change his or her program of study to a designated geological engineering program with a CIP code of 141501. As long as the student intends to complete a designated program of study that prepares the student for employment in a designated high-demand occupational area, the student remains eligible for the Advantage Missouri Program.

If a recipient of the Advantage Missouri Program has been approved for the 1999-2000 academic year at one participating institution while enrolled in a designated program such as chemical engineering, decides to attend another participating institution for the 2000-01 academic year and enrolls in a designated computer science program, will the student be eligible for the Advantage Missouri Program, and will the loans be forgiven if the student is employed in an engineering occupation?

Yes. The student is eligible for the Advantage Missouri Program during the 2000-01 year as long as the student is enrolled in a designated program of study and meets the other eligible criteria as certified by the approved institution on the Advantage Missouri Program application.

One academic year of loan funds shall be forgiven for each year the recipient is employed full time in Missouri in a designated high-demand occupational area. A recipient's employment shall be certified annually by the recipient's employer.

Can a student receive the Gallagher, Missouri College Guarantee and "Bright Flight" Program awards during the same academic year?

Yes. The Gallagher and Missouri College Guarantee programs are need-based. As long as the Gallagher and College Guarantee awards are included in the need-based package and the total awards from all three programs do not exceed the student's demonstrated financial need, it is possible for a student to receive awards from all three programs during the same academic year.

If a student already has obtained an undergraduate degree, can he or she be considered for the Advantage Missouri Program?

Yes. This is unlike the other state programs, in which students with undergraduate degrees are ineligible for awards in subsequent years.

If a student enrolled in a designated chemistry program for three years and received an Advantage Missouri award at a four-year institution and transfers to an approved two-year institution and enrolls in a one-year certificate program that leads to employment in a different designated high-demand occupational area, is the student eligible for the Advantage Missouri Program?

Yes. The student is eligible as long as the one-year certificate program is a designated academic program for that academic year. If an academic program has been designated, the length of the program or degree does not matter.

Example: Both a four-year degree in chemistry and a one-year certificate in electronics technology are both designated programs for the 2000-01 academic year.

For Your Convenience

An information box indicating subject matter accompanies each article in this newsletter. This box also contains the name of the article's contact person (where applicable) and his or her phone number and e-mail user ID. The formula for e-mail addresses at MOSTARS and the Missouri Department of Higher Education is as follows:

USER ID@admin.mocbhe.gov

Remember, you also can contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940.

Order MOSTARS publications via the Internet at www.mocbhe.gov/mostars/mopub.htm

Advantage Missouri Update Form Reminder

As a reminder, institutions should use the Advantage Missouri Update Form to report changes to any of the following information:

Advantage Missouri Program

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★ an original disbursement date,

★ a reduction in a scheduled disbursement,

★ cancellation of the original certified award amount,

★ cancellation of a scheduled disbursement or

★ return of funds.

When returning funds to MOSTARS, the institution should make the check payable to the Advantage Missouri Program and send the check and Advantage Missouri Update Form simultaneously to MOSTARS. The update form should also be used to report any changes to the student's demographic data.

When returning funds for all other state programs, (Gallagher, Missouri College Guarantee, Marguerite Ross Barnett and "Bright Flight"), the Standard Institutional Refund Form should be used. This form must be completed for each semester for each program when refunds are made to the individual state student assistance programs.

Also, an institution may send one check for multiple refunds if the refund amounts are equal to the award amounts originally sent. These procedures should be followed so that delays do not occur when the funds are returned to the appropriate state program fund.

If your institution does not have the Advantage Missouri Update Form or the Institutional Refund Form, contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940. ★

MOSTARS 2000 Default Prevention and Debt Management Conference Highlights

MOSTARS News

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MOSTARS sponsored the third annual Default Prevention and Debt Management Conference April 26-27 at the Holiday Inn Select in Columbia. More than 150 postsecondary institution staff, lender representatives, secondary market and servicer staff, high school counselors and Federal TRIO Program representatives participated in the event.

Kala M. Stroup, commissioner of higher education, opened the conference, emphasizing that default prevention is important to the health and well-being of Missouri higher education and the preparation of an educated Missouri workforce. Noting the relationship between college attendance and completion rates and family income level, Stroup said that financial access to college is still a major challenge for low-income students. High-income groups are twice as likely to attend and graduate from college. Higher education is important for many reasons, including economic reasons: earnings are directly related to level of education, she said.

Stroup discussed the shift from grant aid to student loans as a means of financing higher education. The indebtedness of students has an economic impact on the state, because indebtedness can affect the types of jobs students take when they leave college. Many students may not earn sufficient income to repay their student loan debt. MOSTARS recommends that borrowers' loan payments not exceed 8 percent of their gross income.

Maryln McAdam, founder of McA Enterprises, presented an update of higher education topics in Washington, D.C., including information on the budget process, the Blueprint for Modernization, negotiated rulemaking sessions and GEAR UP.

From left: Debbie Johnson, Eunice Nave and Veronica Gist enjoy a "Hawaiian paradise" luncheon.

From left: Michael Podgursky, Mark Ehlert, Ryan Monroe and Don Watson present research they conducted on defaulted student loan borrowers.

McAdam also discussed issues related to access to higher education. In 1970, students in the lower quartile of income were six times less likely to obtain a baccalaureate degree. In 1980, those students were only four times less likely to obtain a degree. In 1997, students in the lower quartile of income were twelve times less likely to obtain a baccalaureate degree. While merit aid has increased recently, students with the highest need are not receiving the aid. Merit aid has not made higher education more accessible, McAdam said.

During the luncheon session, representatives from the department of economics at the University of Missouri-Columbia introduced a prediction model that estimates the probability of a student defaulting on a loan (see related article on page 1).

In an afternoon session, Ron Parker, president of Horizon Educational Resources, Inc., presented an "Innovative Approach to Default Aversion." Parker explained that the biggest problem institutions face with regard to default prevention is the inability to calculate cohort default rates on an ongoing basis. By calculating default rates on a monthly basis, institutions can determine their need for default prevention activities. Parker presented a default aversion model, consisting of four key elements: gathering and analyzing statistical data, evaluating problems, evaluating time and budget constraints, and developing a default prevention plan. He also discussed grace period and delinquency intervention.

Dr. Craig Israelsen, associate professor in the department of consumer and family economics at the University of Missouri-Columbia, presented "Financial Stewardship."

Israelsen said that telling students to budget is like asking them to take on a ball and chain. Financial aid staff can encourage students to budget by allowing them to consider what they want to achieve in 20 to 30 years. Once students envision their futures, they will be more inclined to see the importance of budgeting. Not all debt is created equally, Israelsen said, for there are some debts student borrowers will not mind repaying (for example, "visible collateral" such as home and car payments).

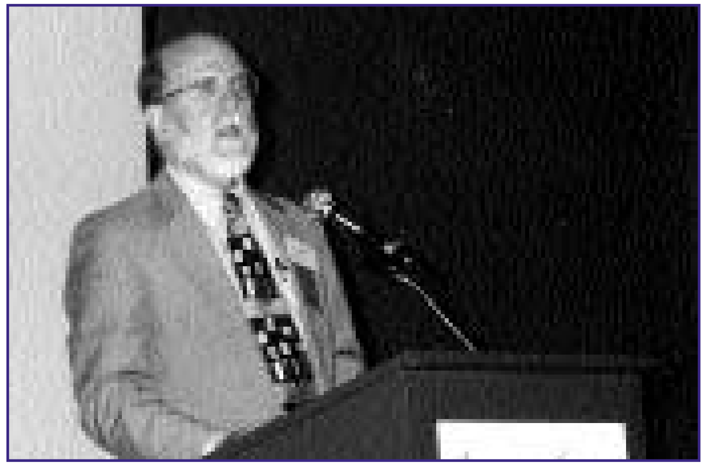
Cathy Mueller, senior project manager for Mapping Your Future, previewed the web site's new default prevention and debt management features. Mapping Your Future's mission is to counsel students and families about college, career and financial aid choices. An integral part of that mission is providing default prevention assistance and awareness. The Mapping Your Future money management project contains student loan repayment options, a debt management decision tree, budgeting and savings information, and checking account management tips. Mapping Your Future also offers chat night events about student loans and income/debt comparison for borrowers.

On April 27, Scott Blanchard, chief operating officer of Student Loan Counseling Service, spoke about the change in emphasis in student loan collections from post-default to default prevention and aversion. Blanchard also discussed SLCS's efforts to encourage delinquent borrowers to bring and keep their accounts current. SLCS emphasizes making contacts with borrowers as counselors and repayment motivators rather than collectors. SLCS benefits institutions indirectly by working to decrease default rates.

CariAnne Cutshall, MOSTARS student assistance associate, presented "Default Prevention on Campus." Cutshall discussed some of the misconceptions and perspectives of student loan borrowing. She offered tips for institutions to combat such perspectives, including student services and outreach programs. In addition, she offered default prevention tools including sample borrower letters, phone scripts and a sample student newspaper media campaign.

Craig Israelsen discusses financial stewardship.

Linda Henderson, institutional improvement specialist for the Case Management and Oversight Division of Region IX of the U.S. Department of Education, gave a presentation titled "Dispelling the Myths about Default Prevention Plans." She discussed several myths, including:



Todd Morriss introduces Maryln McAdam.

- ★ institutions with cohort default rates less than 25 percent do not need a default prevention plan;
- ★ once a student borrower leaves the institution, financial aid staff can no longer impact the borrower's repayment status; and
- ★ there are no patterns or trends that identify defaulted borrowers.

Henderson said it is not permissible for institutions to deny loans to certain groups of students in order to lower the cohort default rate. For example, an institution should not implement a blanket policy that restricts freshmen from receiving the maximum loan limit. Instead, the institution could package other types of financial aid so high-risk students may not need to rely on student loans as much.

After lunch, Karen Misjak, MOSTARS director, formally recognized the MOSTARS Default Prevention Task Force for its accomplishments. She individually acknowledged current and former task force members for their contributions. The task force will no longer meet formally as a result of the Coordinating Board for Higher Education's recent creation of the MOSTARS Advisory Board, which will help guide the CBHE's efforts to develop and implement student loan default prevention and debt management strategies.

MOSTARS, the Missouri Department of Higher Education and the Default Prevention Task Force send their appreciation to everyone who attended this year's conference. ★

Highlights of Final Rule Changes Effective July 1, 2000

Please refer to page 8 of this issue of the MOSTARS newsletter containing information about some of the regulatory changes that are generally effective July 1. In addition to a brief description of the new provision, the chart includes the Federal Register date and page number(s) where Preamble discussion and actual regulatory language can be found as well as the recommended triggering event for each final rule change that is listed.

We hope that the separate insert format is easier to duplicate for clients that wish to share this information with others within their institutions. ★

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FFEL Program

New Brochure Includes Student Loan Application and Default Prevention

MOSTARS News

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MOSTARS' new brochure, "The Smart Approach to Student Loans and Consumer Debt," is available for distribution. The brochure replaces the "Federal Family Education Loans" and "Mastering Repayment of Your Student Loans" brochures.

Topics include:

- ★ the decision about whether to borrow federal student loans,
- ★ the decision about how much to borrow (including budgeting),
- ★ loan repayment begin dates and estimated payment amounts;
- ★ loan types, definitions and eligibility requirements,
- ★ interest rates and the effects of interest accrual and capitalization (including examples of the interest rate calculation),
- ★ repayment options and delinquency assistance (deferments and forbearances) and
- ★ the consequences of student loan default.

To order a supply of this brochure or other MOSTARS publications, contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940 or visit out web site at www.mocbhe.gov/mostars/mopub.htm. ★

Teaching Service Forgiveness Program

FFEL Program

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The Higher Education Act Amendments of 1998 revised HEA Section 428J to provide for a loan forgiveness program for teachers. MOSTARS has received a number of inquiries about this program. Recently, MOSTARS confirmed the following information about the program's status with the U.S. Department of Education:

- ★ Regulations to implement this program are being developed.
- ★ Only new borrowers with loans made on or after Oct. 1, 1998, will be eligible.
- ★ A borrower must teach for five consecutive, complete years to be eligible for forgiveness.
- ★ The teaching service must be at a school located in a high poverty area.
- ★ At this time, the program has NOT been funded. Because an eligible borrower is required to have taught in a qualifying school for five years, it presently is expected that funding will not be needed until 2003 at the earliest. ★

Eligible Lender List Changes

Clients who use the Missouri Student Loan Program Combined Eligible Lender List should make note of the following changes. New lists are printed upon request, so your list may reflect these changes. Refer to the effective date of the changes and compare them to the date listed in the lower left corner of your list to determine whether you should pencil in these changes.

Additions

NEBHELP, Inc. - Norwest Bank MN c/o UNIPAC, OE 833500
Participation Categories: Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre
Added May 4

NHELP I, Inc. - Norwest Bank MN c/o UNIPAC, OE 833501-00
Participation Categories: Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre
Added May 4

NHELP II, Inc. - Zions First National Bank c/o UNIPAC, OE 833456-00
Participation Categories: Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre
Added May 4

NELNET Student Loan Corp - Zion First Ntl c/o UNIPAC, OE 833457-00
Participation Categories: Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre
Added May 4

NELNET Inc. - Union Bank & Trust c/o UNIPAC, OE 833669-00
Participation Categories: Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre
Added May 4

NHELP III, Inc. - Norwest Bank MN c/o UNIPAC, OE 833670-00
Participation Categories: Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre
Added May 4

NELNET Student Loan Corp II - Zion First Ntl c/o UNIPAC, OE 833702-00
Participation Categories: Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre
Added May 4

Union Bank and Trust c/o UNIPAC, OE 808548
Participation Categories: Sub, Sub Pre, Unsub, Unsub Pre, PLUS, PLUS Pre
Added May 4

Wells Fargo Education Financial Services, OE 807176-00
FICE Lender Name: Wells Fargo Education Financial Services
FICE OE: 807176-50
Participation Categories: ATOM, Sub, Sub Pre, Unsub, Unsub Pre, PLUS
Added May 1

Wells Fargo Education Financial Services, OE 807176-50
Participation Categories: ATOM, Sub, Sub Pre, Unsub, Unsub Pre, PLUS
Added May 1

Changes

Mercantile/Firstar, OE 804609-00 & -50
New Name: Firstar Bank
Changes made April 20

Mercantile/Firstar, OE 813982-00, 825573-00, 823475-00 & 822044-00
New FICE Lender Name: Firstar Bank
Changes made April 20

Wells Fargo Education Financial Services, OE 832384-00 & -50
New FICE Lender Name: Wells Fargo Education Financial Services
New FICE OE: 807176-50
Changes made May 1

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Participation Lists

To request an MSLP Combined Eligible Lender List, call the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940.

For more information, refer to the August 1998 issue of FFELPfacts. You can view a sample of the list in the October 1998 issue of the MOSTARS newsletter.

The list also is available on the MOSTARS web site at www.mocbhe.gov/mostars/lndrlist.pdf. ★

The average of the bond equivalent rates of the 91-day Treasury bills for the quarter ending March 31, 2000, is 5.72 percent.

The average of the three-month commercial paper (financial) rates for the quarter ending March 31, 2000, is 6.1 percent.

Highlights of Final Rule Changes Effective July 1, 2000

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FFEL Program

Insert for June 2000 MOSTARS Newsletter

Below is a listing of some of the regulatory changes that generally are effective July 1, 2000. In addition to a brief description of the new provision, this chart includes the Federal Register date and page number(s) where Preamble discussion and the complete regulations are located and the specific, recommended triggering event for each regulatory change.

Note: A number of these final rule changes are the subject of Common Manual policy updates. Bulletin language relating to these final-rule related policy updates is being distributed by MOSTARS separately as it becomes available.

Subject	Final Rule Citation and Description	Federal Register Date and Page Number	Triggering Event
Audits (lenders)	34 CFR 682.305(c)(1) A lender must submit an annual compliance audit report to the U.S. Department of Education if, for the fiscal year being audited, it made or held more than $5 million in FFELP loans.	Oct. 29, 1999 p. 58627	Oct. 1, 1998
Audits (schools)	34 CFR 668.27 At a school's request, the U.S. Department of Education may waive the annual audit submission requirement for three years if the school meets certain specific criteria, including the disbursement of less than $200,000 in Title IV funds during each of the two completed award years preceding the waiver request.	Oct. 29, 1999 pp. 58613-58614, 58618	Annual audit submission waiver requests submitted by the school on or after Jan. 3, 2000, such that the U.S. Department of Education may begin granting waivers on or after July 1, 2000
Bankruptcy	34 CFR 682.402(f)(2) Clarifies when the lender may, or must, suspend collection activity against any party to a loan when the borrower, co-maker or endorser files for bankruptcy	Oct. 29, 1999 pp. 58623, 58628	Bankruptcy notifications received by the lender on or after July 1, 2000, unless implemented earlier by the guarantor
Bankruptcy	34 CFR 682.402(f)(3) Adds the borrower's attorney as an acceptable source from which a lender may accept proof of bankruptcy filing	Nov. 1, 1999 p. 58960	Bankruptcy notices or other proof of filing received by the lender on or after July 1, 2000, unless implemented earlier by the guarantor
Counseling students (Also see "Entrance counseling" and "Exit counseling")	34 CFR 682.604(f) and (g) For counseling provided by "interactive electronic means," schools must take reasonable steps to ensure that the student receives the materials, participates in and completes the counseling. Schools must maintain documentation of their compliance for each student.	Nov. 1, 1999 pp. 58950-58951, 58964	July 1, 2000 See specific triggering events for entrance and exit counseling.

Highlights of Final Rule Changes Effective July 1, 2000 (Continued)

Subject	Final Rule Citation and Description	Federal Register Date and Page Number	Triggering Event
Default aversion (formerly preclaims) assistance request	34 CFR 682.404(k)(1); 682.411(i) The lender must request default aversion assistance no earlier than the 60th day of delinquency and no later than the 120th day of delinquency.	Oct. 29, 1999 pp. 58623-58624, 58629, 58931	Loans for which the first day of delinquency on the oldest outstanding due date is on or after July 1, 2000, unless implemented earlier by the guarantor
Deferment, backdating	34 CFR 682.210(a)(5) A borrower's in-school deferment eligibility starts on the beginning date of the condition entitling the borrower to the deferment, permitting an in-school deferment only to be backdated in excess of six months.	Oct. 29, 1999 pp. 58623, 58626	In-school deferments granted on or after July 1, 2000, unless implemented earlier by the lender
Deferment, unemployment	34 CFR 682.210(h) A borrower may document his or her eligibility for unemployment deferment by providing the lender with evidence of eligibility for unemployment benefits.	Nov. 1, 1999 pp. 58946, 58958-58959	Unemployment deferments granted by the lender on or after July 1, 2000, unless implemented earlier by the lender
Disbursement	34 CFR 682.207(b)(1)(vii) Unless the lender has information that the student is no longer enrolled, the lender may disburse a second or subsequent disbursement of a FFELP loan at the request of the school, even if the borrower or the school returned the prior disbursement.	Oct. 29, 1999 pp. 58622-58623, 58626	School requests for disbursements received by the lender on or after July 1, 2000
Disclosure, initial	34 CFR 682.205(a)(3) and (d) With certain exceptions, a lender's initial disclosure requirements are met by the Borrower Rights and Responsibilities statement, or, for subsequent loans made under an MPN, the Plain Language Disclosure.	Oct. 29, 1999 pp. 58622, 58625	Initial disclosure notifications issued by the lender to the borrower on or after July 1, 2000
Disclosure, initial and repayment	34 CFR 682.205(a)(1), 682.205(c)(2) Requires the lender to disclose a telephone number accessible at no cost to the borrower from within the U.S.	Oct. 29, 1999 pp. 58622, 58625	Initial disclosure notifications issued by the lender to the borrower on or after July 1, 2000 Repayment disclosures issued by the lender on or after July 1, 2000
Disputes (also see "Ombudsman")	34 CFR 682.208(c)(3)(i) Requires the lender to provide the borrower with the appropriate guarantor contact if the lender is unable to resolve a borrower's (written) dispute	Oct. 29, 1999 p. 58626	Borrower disputes received by the lender on or after July 1, 2000

Highlights of Final Rule Changes Effective July 1, 2000 (Continued)

Subject	Final Rule Citation and Description	Federal Register Date and Page Number	Triggering Event
Due diligence (also see "Default aversion assistance request" and "Ombudsman")	34 CFR 682.411; 682.404(k)(1) As part of one of the required collection activities during the delinquency period, the lender must provide the borrower with information about the availability of the Student Loan Ombudsman. Default aversion assistance must be requested no earlier than the 60th day of delinquency and no later than the 120th day. During the 181-270 day delinquency period, the lender must engage in efforts to urge the borrower to make payments. These efforts must minimally include the following information: ★ options to avoid default and ★ consequences of default. The lender must send a final demand on or after the 241st day of delinquency. Endorser due diligence must be completed before the lender files a default claim.	Oct. 29, 1999 pp. 58623-58624, 58629-58632	Loans for which the first day of delinquency on the oldest outstanding due date is on or after July 1, 2000
Eligibility, school	34 CFR 600.7(a)(1)(iii) through (iv) and (c) A school ceases to satisfy the definition of an eligible institution if 1) the percentage of incarcerated students **exceeds** 25 percent (previously 25 percent or more) or 2) the percentage of students without high school diplomas **exceeds** 50 percent (previously 50 percent or more) and the school does not offer a two-year or four-year degree program. Under certain conditions, the USDE may waive the limit on the number of incarcerated students.	Oct. 29, 1999 pp. 58611, 58616	School compliance with the definition of an eligible institution on or after July 1, 2000
Eligibility, school	34 CFR 668.12(f) A school experiencing a change in ownership that results in a change in control may apply for provisional extension of certification by submitting a materially complete application that is received by the U.S. Department of Education no later than 10 business days after the day the change occurs.	Oct. 29, 1999 pp. 58611-58612, 58617	Provisional certifications granted on or after Oct. 29, 1999
Eligibility (student), drug-related convictions	34 CFR 668.40 Prescribes a period of ineligibility beginning on the date of conviction for criminal convictions involving possession or sale of illegal drugs (Note: Students will self-certify this information on the FAFSA. The school will be notified of the student's eligibility status by the U.S. Department of Education on the ISIR.)	Oct. 22, 1999 pp. 57357-57359	Student eligibility determinations made for award years beginning on or after July 1, 2000

Highlights of Final Rule Changes Effective July 1, 2000 (Continued)

Subject	Final Rule Citation and Description	Federal Register Date and Page Number	Triggering Event
Eligibility (student), home-schooled students	34 CFR 668.32(e)(4)(i) and (ii) A home-schooled student is eligible to receive Title IV assistance if 1) the student obtains a secondary school completion credential for home schooling or 2) in a state that does not require such a credential, the student completed secondary education in a home-school setting that qualifies for an exemption from the state's truancy laws.	Oct. 22, 1999 pp. 57356, 57358	July 1, 2000, unless implemented earlier by the school on or after Oct. 22, 1999
Entrance counseling	34 CFR 682.604(f) As part of entrance counseling, schools must explain the use of the Master Promissory Note.	Nov. 1, 1999 pp. 58950-58951, 58964	Entrance counseling conducted on or after July 1, 1999, unless implemented earlier by the school
Exit counseling	34 CFR 682.604(g) For students who withdraw without the school's knowledge or fail to attend a required counseling session, schools must provide exit counseling materials by interactive electronic means or by mailing written materials to the student within 30 days after learning that the student withdrew or failed to attend an exit counseling session. As part of exit counseling, schools must review information on the availability of the Student Loan Ombudsman's Office and the use of the Master Promissory Note.	Nov. 1, 1999 pp. 58950-58951, 58964	Students who cease half-time attendance on or after July 1, 2000
Financial responsibility (for proprietary schools)	34 CFR 600.5(a)(8) and (d) through (e); 668.27(b)(3)(ii) A proprietary school must receive no more than 90 percent of its revenues from Title IV funds. This calculation must be based on the school's most recently completed fiscal year. The school must use the cash basis of accounting when determining its income derived from Title IV funds.	Oct. 29, 1999 pp. 58609-58611, 58613 (discussion under 668.27), 58615-58616, 58618	Revenues received by proprietary schools for fiscal years beginning on or after July 1, 2000, unless implemented earlier by the school on or after Oct. 7, 1998
Forbearance (administrative)	34 CFR 682.211(f)(10) Incorporates guidance already in effect that permits the lender to grant a borrower who has been adversely affected by a natural disaster an administrative forbearance for no more than three months Also see Disaster Letter 98-28	Oct. 29, 1999 p. 58626	Administrative forbearance granted by the lender on or after Aug. 5, 1999, for a borrower or endorser adversely affected by a natural disaster This triggering event corresponds to the USDE's early implementation of this change, per Disaster Letter 98-28.

Highlights of Final Rule Changes Effective July 1, 2000 (Continued)

Subject	Final Rule Citation and Description	Federal Register Date and Page Number	Triggering Event
Forbearance (administrative)	34 CFR 682.211(f)(2) A lender may grant administrative forbearance to eliminate a delinquency that precedes certain mandatory administrative forbearances or forbearance granted to a borrower affected by a natural disaster.	Oct. 29, 1999 pp. 58623, 58626	Disaster-related forbearances and mandatory administrative forbearances granted for military mobilization, local or national emergency, or designated disaster area on or after July 1, 2000
Income-sensitive repayment option	34 CFR 682.205(h) At the time a loan is offered and again when repayment options are offered, the lender is required to notify the borrower of his or her eligibility for income-sensitive repayment, procedures by which the borrower may elect income-sensitive repayment, and where and how the borrower can obtain more information. (The promissory note and associated materials approved by the USDE fulfill the disclosure requirement at the time of offering a loan.)	Oct. 29, 1999 p. 58626	Initial disclosures and repayment disclosures issued by the lender on or after July 1, 2000
Inducements (lender)	34 CFR 682.200 Definitions, (b) Lender An eligible lender is not prohibited from providing assistance to schools comparable to the kinds of assistance provided by the USDE under, or in furtherance of, the Direct Loan Program.	Nov. 1, 1999 pp. 58940, 58952 NPRM dated Aug. 10, 1999, p. 43429	Assistance provided by lenders to schools on or after July 1, 2000, unless implemented earlier by the lender
Ombudsman (also see "Disputes" and "Due diligence")	34 CFR 682.604(g)(2)(vii) As part of exit counseling, schools must provide information on the availability of the Student Loan Ombudsman.	Nov. 1, 1999 p. 58964	Students who cease half-time attendance on or after July 1, 2000
Origination fees	34 CFR 682.202(c) Origination fees must be assessed equally to all borrowers who attend school or reside in a state. The lender is permitted to assess a lesser fee to a borrower who demonstrates greater financial need based on certain criteria. If the lender charges a borrower a lesser fee on an unsubsidized Federal Stafford Loan, it must charge the borrower the same lesser fee on a subsidized Federal Stafford Loan.	November 1, 1999 pp. 58941-58942, 58954	Fees owed by the lender on or after July 1, 2000
Penalty for failure to return funds	34 CFR 668.92(d) An individual who exercises substantial control over an institution and willfully fails to pay or willfully attempts to evade payment of refunds or return Title IV funds according to 668.22 is liable for payment to the same extent that a person is penalized under section 6672(a) of the Internal Revenue Code for nonpayment of taxes.	Oct. 29, 1999 pp. 58608, 58618-58619 NPRM July 15, 1999, p. 38275	These regulations codify existing statutes that became effective for unpaid refunds that were first required to be paid to a lender or to the U.S. Department of Education on or after 90 days after the date of enactment (Oct. 7, 1998)

Highlights of Final Rule Changes Effective July 1, 2000 (Continued)

Subject	Final Rule Citation and Description	Federal Register Date and Page Number	Triggering Event
Proration	34 CFR 682.204(a)(1) through (3) Final rules provide two distinct formulas for determining the reduced annual loan limit applicable to 1) an undergraduate Stafford Loan borrower who is enrolled in a program that is at least a full academic year in length but has less than a full academic year remaining and 2) an undergraduate Stafford Loan borrower who is enrolled in a program that is less than a full academic year in length.	Nov. 1, 1999 pp. 58944-58945, 58954-58956	Stafford Loans certified on or after July 1, 2000, unless implemented earlier by the school
Record retention (lender)	34 CFR 414(a)(4)(iii) A lender must retain required records for each loan for no less than three years after the date the loan is paid in full by the borrower or for no less than five years after the date the loan is paid in full from any other source.	Nov. 1, 1999 p. 58632	Loan records retained by the lender on or after July 1, 2000
Refunds, failure to pay	See "Penalty for failure to return funds."		
Repayment Options	34 CFR 682.200 definitions, (b) Repayment period 34 CFR 682.209(a)(7)(iii) A lender is required to offer all Federal Family Education Loan Program borrowers a choice of repayment schedule, including, if applicable, the extended repayment plan.	November 1, 1999 pp. 58940, 58952, 58958 NPRM August 10, 1999, p. 43431	Repayment disclosures issued by the lender on or after July 1, 2000
Voter Registration	34 CFR 668.14(d) A school located in a state not covered by Section 4(b) of the National Voter Registration Act (Missouri) must make a good faith effort to distribute a mail voter registration form to each student physically attending who is enrolled in a degree or certificate program and to make the forms widely available to students at the school.	Oct. 29, 1999 pp. 58608, 58612-58613, 58618	Program participation agreements initiated on or after July 1, 2000, and provisional certifications granted on or after Oct. 29, 1999

Staff News

Welcome

Karen Cassmeyer started as a program specialist in the MOSTARS Information Center on May 22. Karen will be answering calls to the toll-free number regarding the various grant, scholarship and loan programs as well as performing other duties such as evaluating defaulted borrowers for Title IV reinstatement eligibility.

Karen's previous position as a financial aid adviser for the Jefferson City Extended Studies Division Site of Columbia College should allow her to bring some first-hand knowledge about the school side of administering the student financial assistance programs.

MOSTARS is very excited to have Karen join the staff. ★

Fond Farewell

May 26 was Susan Johnson's last day as a program specialist in the MOSTARS Information Center. Susan started as a program specialist in June 1999 and has taken a position as a customer service specialist with Edward Jones in St. Louis.

Although Susan is excited about her new life in St. Louis, she is sad to leave MOSTARS. "Everyone here has been very friendly and very encouraging," she said. "MOSTARS is definitely a great place to work!"

MOSTARS wishes Susan the best in her new endeavor. ★

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FIRST CLASS

MOSTARS, a division of the Coordinating Board for Higher Education, publishes this newsletter to inform Missouri's financial aid community of current issues concerning the Missouri Student Loan Program and the Missouri Grant and Scholarship Programs.

Dr. Ray Henry ....CBHE Chairman

Dr. Kala M. Stroup........................Commissioner of Higher Education

Karen Misjak ....MOSTARS Director